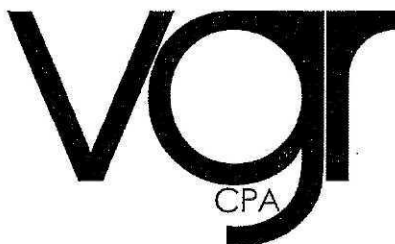


SUSLA FACILITIES, INC.

**FINANCIAL AUDIT TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED JUNE 30, 2013



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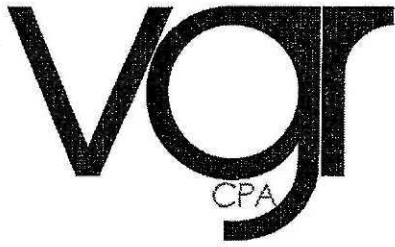
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
SUSLA Facilities, Inc.
Shreveport, Louisiana

I have audited the accompanying financial statements of the **SUSLA Facilities, Inc. (the Facilities)**, which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT
(CONTINUED)

Auditor's Responsibility, Continued

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **the Facilities** as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

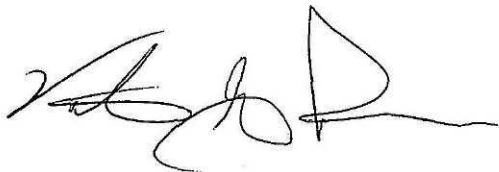
Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT
(CONTINUED)

Other Information

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in black ink, appearing to be 'VGR', with a stylized, flowing script.

VGR
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

September 4, 2013

SUSLA FACILITIES, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2013

ASSETS

Current assets:	
Cash and cash equivalents	\$ 23,078
Investments - bond reserves, current portion (NOTE 6)	620,210
Accounts receivable, net (NOTE 7)	7,684
Prepaid expense	<u>23,142</u>
Total current assets	<u>674,114</u>
Non-current assets:	
Investments - bond and maintenance reserves (NOTE 6)	1,336,900
Fixed assets, net of accumulated depreciation of \$2,058,311 (NOTES 2 and 3)	9,181,372
Bond issuance costs, net of accumulated amortization of \$42,264 (NOTE 4)	<u>188,265</u>
Total non-current assets	<u>10,706,537</u>
Total assets	<u>\$ 11,380,651</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Prepaid rent	\$ 108,524
Security deposits	18,134
Interest payable	368,756
Bonds payable (NOTE 8)	110,000
Due to affiliates (NOTE 11)	78,268
Accounts payable	<u>108,799</u>
Total current liabilities	<u>792,481</u>
Long-term liabilities:	
Bonds payable net of premium/discount of \$53,152 (NOTES 8 and 9)	<u>12,651,848</u>
Total long-term liabilities	<u>12,651,848</u>
Total liabilities	<u>13,444,329</u>
Net assets, unrestricted (NOTE 2)	<u>(2,063,678)</u>
Total liabilities and net assets	<u>\$ 11,380,651</u>

The accompanying notes are an integral part of these financial statements.

SUSLA FACILITIES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Operating revenues

Rental income, net of vacancy and employee apartment allowance of \$351,658	\$ 1,260,422
Other income	<u>200,940</u>
Total operating revenues	<u>1,461,362</u>

Operating expenses

Amortization expense	7,684
Depreciation expense	406,910
Bond interest expense	739,597
Contract services	162,871
Management fees	64,164
Travel	2,276
Trustee fees	11,500
Professional services	13,831
Insurance	30,568
Advertising and promotion	9,969
Office expense	7,990
Professional development	1,750
Utilities	123,124
Repairs and maintenance	66,669
Internet/cable/telephone	31,649
Bad debts	22,006
Computer software	5,250
Other	<u>5,613</u>
Total operating expenses	<u>1,713,421</u>

Change in net assets from operating activities (252,059)

Non-operating activities

Investment income 805

Change in net assets from non-operating activities 805

Change in net assets (251,254)

Net assets

Beginning of the year (1,812,424)

End of the year \$ (2,063,678)

The accompanying notes are an integral part of these financial statements.

SUSLA FACILITIES, INC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

Operating activities

Change in net assets	\$ (251,254)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	406,910
Provision for bad debts	22,006
Amortization of bond issuance costs	7,684
Amortization of bond premium/discount	2,084
Decrease in prepaid expense	697
Increase in accounts payables	60,077
Decrease in interest payable	(3,600)
Increase in accounts receivable	(20,081)
Increase in security deposits	757
Increase in prepaid rent	<u>7,267</u>
Net cash provided by operating activities	<u>232,547</u>

Investing activities

Purchase of investments	(3,265,415)
Sale of investments	3,078,233
Mortgage principal payments	(80,000)
Increase in fixed assets	<u>(17,376)</u>
Net cash used in investing activities	<u>(284,558)</u>

Net decrease in cash and cash equivalents	<u>(52,011)</u>
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Cash and cash equivalents

Beginning of year	<u>75,089</u>
End of year	<u>\$ 23,078</u>

Interest paid in cash	<u>\$ 741,113</u>
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The accompanying notes are an integral part of these financial statements.

SUSLA FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - BACKGROUND

SUSLA Facilities, Inc. (the Facilities) is a private nonprofit organization and is formed to promote, assist, and benefit the mission of Southern University at Shreveport through acquiring, constructing, developing, renovating, rehabilitating, repairing, managing, leasing assessor, lessee, mortgaging, and/or converting residential, classroom, administrative, and other facilities on the campus of Southern University at Shreveport.

The Facilities participated in a bond issuance by borrowing money from the Louisiana Public Facility Authority (the Issuer) who issued \$13,000,000 in revenue bonds (Series 2007) which will be payable solely from the revenues of **the Facilities**. The revenue bonds were issued pursuant to a Trust Indenture dated March 1, 2007, between the Issuer and the Bond Trustee. The proceeds of the primarily tax-exempt bonds were loaned to **the Facilities** pursuant to a Loan Agreement dated as of March 1, 2007 between the Issuer and **the Facilities** and will be used to construct a new residence hall, related parking facilities, and related sewer and water lines on the campus of Southern University at Shreveport (SUSLA). To secure **the Facilities'** obligations to repay the monies loaned, **the Facilities** executed a Mortgage, Assignment of Leases and Security Agreement. **The Facilities** granted to the Trustee first mortgage lien on its leasehold interest in the property, equipment, furnishings and other intangible property included in the facilities and first priority security interest in the leases and subleases affecting the facilities, including without limitation, **the Facilities'** lease agreement and all revenue rentals, and other sums due, or becoming due, under the leases.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements and supplemental schedules are prepared in accordance with accounting principles generally accepted in the United States and are prepared on the accrual basis.

SUSLA FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Reporting

FASB ASC Topic 958 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories (i.e. unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) according to externally (donor) imposed restrictions.

A description of the three (3) net asset categories is as follows:

Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of **the Facilities** are included in this category. **The Facilities** has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of **the Facilities**, and therefore, **the Facilities'** policy is to record these net assets as unrestricted.

Temporarily restricted net assets include realized gains and losses, investment income and gifts, appropriations and contributions for which donor-imposed restrictions have not been met.

Permanently restricted net assets are contributions which are required by the donor-imposed restriction to be invested in perpetuity and only the income be made available for program operations in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor-imposed restrictions.

At June 30, 2013, **the Facilities** did not have any temporarily or permanently restricted net assets.

SUSLA FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Fair Values of Financial Instruments

FASB ASC Topic 820 refines the definition of fair value, establishes specific requirements as well as guidelines for a consistent framework to measure fair value, and expands disclosure requirements about fair value measurements. Further, ASC Topic 820 requires **the Facilities** to maximize the use of observable market inputs, minimize the use of unobservable market inputs and disclosure in the form of an outlined hierarchy the details of such fair value measurements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates; however, in the opinion of management such differences will not be material to the financial statements.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, **the Facilities** considers all unrestricted cash on hand and unrestricted temporary investments purchased with an initial maturity of three months or less, except for Treasury bills, commercial paper, and other short-term financial instruments included in **the Facilities'** investment account which are primarily held for investments in long-term assets, to be cash and cash equivalents. The carrying amount of cash and cash equivalents approximates fair value due to the short maturity of these financial instruments.

Fixed Assets

Fixed assets are capitalized at cost and are being depreciated over the estimated useful lives of the respective assets. **The Facilities'** capitalization threshold for fixed assets is \$1,000. Maintenance and repairs are charged to expense as incurred while additions and betterments are capitalized. Depreciation is computed over the life of the assets using the straight-line method.

SUSLA FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Income Taxes

The Facilities is exempt from corporate income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is recorded in the accompanying financial statements. **The Facilities** files as a tax-exempt organization. Should that status be challenged in the future, **the Facilities'** tax returns for the past three years remain open for examination by the Internal Revenue Service.

Operating and Non-operating Activities

The Statement of Activities reports the change in net assets from **the Facilities'** operating and non-operating activities. Operating activities exclude any cash distributions to the University from surplus funds and investment income.

Recently Issued Accounting Pronouncements

In October 2012 the FASB issued Accounting Standards Update (ASU) 2012-05 which provided authoritative guidance related the classification of the sale proceeds of donated financial assets in the Statement of Cash Flows. The amendments in the update are effective prospectively for fiscal years beginning after June 15, 2013. **The Facilities** is evaluating the impact on its financial position, changes in net assets and cash flows.

In February 2013 the FASB issued ASU 2013-03 which clarify that the requirement to disclose "the level of the fair value hierarchy within which the fair value measurements are categorized in their entirety (Level 1, 2, or 3)" does not apply to nonpublic entities for items that are not measured at fair value in the Statement of Financial Position but for which fair value is disclosed. The amendments in this update are effective for the fiscal year ended June 30, 2013.

SUSLA FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 4, 2013, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

NOTE 3 - FIXED ASSETS

Fixed assets are comprised of the following at June 30, 2013:

	<u>Accumulated Cost</u>	<u>Net Book Depreciation</u>	<u>Value</u>
Fixed assets			
Building	\$ 10,572,034	\$(1,733,171)	\$ 8,838,863
Furniture and fixtures	<u>667,649</u>	<u>(325,140)</u>	<u>342,509</u>
Total fixed assets	<u>\$ 11,239,683</u>	<u>\$(2,058,311)</u>	<u>\$ 9,181,372</u>

Depreciation expense totaled \$406,910 for the year ended June 30, 2013.

NOTE 4 - BOND ISSUANCE COSTS

Costs incurred in connection with the issuance of the bonds are amortized using the straight-line method over the lives of the bonds. Bond issuance costs incurred through the bond issuance totaled \$230,528. Bond issuance costs net of accumulated amortization is as follows as of June 30, 2013:

<u>Costs</u>	<u>P/Y Accumulated Amortization</u>	<u>C/Y Amortization</u>	<u>Total Accumulated Amortization</u>	<u>Costs, net of Accumulated Amortization</u>
\$ 230,528	\$ (34,579)	\$ (7,684)	\$ (42,263)	\$ 188,265

SUSLA FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 5 - CONCENTRATION OF RISK

Credit Risk

The Facilities maintains cash balances with creditworthy, high quality, financial institutions located in several states. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Periodically, **the Facilities** maintain deposits in excess of federally insured limits. Management monitors the soundness of these financial institutions and feels **the Facilities'** risk is not significant. At June 30, 2013, the University's deposits totaled \$23,078. The balances in investments - bond reserves are invested according to bond documents, which work to mitigate the credit risk of those investments. At June 30, 2013, the University's investments totaled \$1,957,110. **The Facilities** also has credit risk principally related to partially secured amounts for student accounts receivable. However, such risk is mitigated by the requirements of students to pay security deposits and the inability of student to obtain college transcripts if amounts are owed to **the Facilities**. **The Facilities** also has credit risk principally related to partially secured amounts for student accounts receivable. However, such risk is mitigated by the requirements of students to pay security deposits and the inability of student to obtain college transcripts if amounts are owed to **the Facilities**.

Investment Risk

The Facilities' investments are managed by the Trustee in accordance with Policy. The degree and concentration of credit risks varies by type of investment. Investment securities are exposed to various risks such as interest rates, credit and market risks.

The Facilities' investment portfolio is subject to interest rate and credit risks for certain securities whose valuation would be impacted by changes in interest rates. The portfolio is also subject to the risk where the issuer of a security is not able to pay interest or repay principal when it is due.

The value of securities held by **the Facilities** may decline in response to certain economic events including those events impacting entities whose securities are owned and included in the investment portfolio. Those events impacting valuation may include (but may not be limited to) economic changes, market fluctuations, regulatory changes, global and political instability, currency, interest rate, and commodity price fluctuations.

SUSLA FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 6 - INVESTMENTS - BOND RESERVES

The funds held by the Bond Trustee consist of investments and securities that are primarily issued by the U.S. Government and various other financial instruments. These short-term investments are primarily stated at cost, which approximates market.

Under the terms of the various Trust Indentures or similar documents, various funds fund such a Project, Capitalized Interest, Replacement, and Debt Service must be established and maintained for each of the projects. These or associated documents govern the types of investments and requirements for collateralization.

The bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum bond coverages.

Investment income, to the extent it exceeds capitalized interest for the respective project, is reported as a change in net assets.

Investments - bond reserve accounts consist of the following at June 30, 2013:

	<u>Reserve Balances</u>
Revenue fund	\$ 22,009
Debt service	948,519
Principal fund	110,004
Start-up and operations	103,949
Management fee	15,482
Operations and maintenance fund	250,006
Interest fund	368,765
Maintenance reserve	<u>138,376</u>
 TOTAL	 <u>\$ 1,957,110</u>

The investments - bond reserve accounts balances total \$1,957,110 in short-term investments, with \$620,210 being classified as current assets and \$1,336,900 being classified as non-current assets. Those investments that are being utilized to fund the debt service reserve accounts are being classified as non-current assets as a result of their long-term restricted use.

SUSLA FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 7 - ACCOUNTS RECEIVABLE

The Facilities provides housing to the University students under a semester leasing contract. The net carrying value of accounts receivable approximate fair value. The net accounts receivable and changes in the allowance for doubtful accounts are as follows:

<u>Description</u>	
Gross receivable	\$ <u>54,606</u>
<u>Allowance</u>	
Beginning Balance	(24,916)
Current provision	<u>(22,006)</u>
Subtotal	<u>(46,922)</u>
Net receivable	\$ <u><u>7,684</u></u>

NOTE 8 - BONDS PAYABLE

On July 25, 2007 the Louisiana Public Facilities Authority issued \$13,000,000 of Louisiana Public Facilities Authority Revenue Bonds (Series 2007A and 2007B) to **the Facilities**. The proceeds of the bonds are being used for the financing, planning, design, construction, furnishing and equipping of residence facilities for use by Southern University at Shreveport, including all equipment, furnishings, fixtures and facilities, incidental or necessary in connection therewith. The proceeds will also be utilized to purchase an apartment complex and to pay the costs associated with the issuance of the bonds. The bond agreement provides for interest on the outstanding bonds at rates ranging from 5.75% to 9.00% per annum.

SUSLA FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 8 - BONDS PAYABLE, CONTINUED

The balances of the bonds payable at June 30, 2013 totals the following:

\$12,795,000 tax exempt term bonds payable dated July 25, 2007; due at various intervals through July 1, 2039; payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 5.75%; secured by leasehold deed and assignment of rents.	\$ <u>12,795,000</u>
\$205,000 taxable term bonds payable dated July 25, 2007; due at various intervals through July 1, 2013; payable in semi-annual installments of interest and annual installments of principal; average coupon rate of 9.00%; secured by leasehold deed and assignment of rents.	<u>20,000</u>
Total bonds payable	<u>12,815,000</u>
Less: current maturities	<u>110,000</u>
Total long-term bonds payable	\$ <u>12,705,000</u>

The outstanding bonds, which were purchased at premiums and a discount, are required to be repaid as follows over the next five years and thereafter:

2014	\$ 110,000
2015	145,000
2016	180,000
2017	215,000
2018	245,000
2019-2040	<u>11,920,000</u>
Total	\$ <u>12,815,000</u>

Bonds funds totaling \$1,957,110 have been deposited with the bond trustee at June 30, 2013.

SUSLA FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 9 - BONDS PREMIUM/DISCOUNT

The bond premium and discount received upon the issuance of the bonds is being amortized over the life of the bonds using the straight-line method. Total bond premium and discount at issuance totaled \$95,323 and \$159,937, respectively. Annual amortization will be charged against "Interest Expense". The total amount of bond premium and discount and related amortization is as follows at June 30, 2013:

<u>Bond Premium / Discount</u>	<u>P/Y Accumulated Amortization</u>	<u>C/Y Accumulated Amortization</u>	<u>Total Accumulated Amortization</u>	<u>Bond Premium, net Accumulated Amortization</u>
\$ (95,323)	\$ 13,837	\$ 3,075	\$ 16,912	\$ (78,411)
\$ 159,937	\$ (23,215)	\$ (5,159)	\$ (28,374)	\$ 131,563

NOTE 10 - FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES:

In accordance with FASB ASC Topic 820, fair value is defined as the price **the Facilities** would receive to sell an asset or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principle market the most advantageous market for the asset or liability. ASC Topic 820 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the criteria market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes.

Various inputs are used in determining the value of **the Facilities** assets or liabilities. The inputs are summarized in the three broad levels listed below:

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date.

SUSLA FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 10 - FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES,
CONTINUED:

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any market activity. The inputs into the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. **The Facilities'** assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment to **the Facilities** and does not necessarily correspond to the perceived risk of that investment. The hierarchy requires the use of observable market data when available. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. **The Facilities** utilizes inputs in applying various valuation techniques that are assumptions which market participants used to make valuation decisions, including assumptions about risk. Inputs may include price information, fund and specific stock data, specific and broad credit data, liquidity statistics, recent transactions, discount rates and other factors. Underlying fund investments, whose values are based on quoted market prices in active markets, are therefore classified within Level 1.

SUSLA FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 10 - FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES,
CONTINUED:

Investments that trade in markets that are considered to be active, but are based on dealer quotations or alternative pricing sources supported by observable inputs or investments that trade in markets that are not considered to be active, but valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. Alternative pricing sources include quotations from market participants and pricing models which are based on accepted industry modeling techniques. These investments include government notes and government money market funds.

The Facilities obtains the majority of the prices used in the valuation of its investments from a pricing service that is utilized by the Trustee. The pricing service utilizes industry standard pricing models that consider various inputs, including benchmark yields, reported trades, broker/dealer quotes, issuer spreads, and benchmark securities as well as other relevant economic measures.

ASU No. 2010-06 requires disclosures and clarifies existing disclosure requirements about fair value measurements. ASU 2010-06 requires (a) disclosure of gross significant transfers in and/or out between Levels 1 and 2 and the reasons for those transfers, (b) disclosure of all transfers in/out of Level 3 (significant transfers to be presented gross) and the reason for those transfers, and (c) purchases, sales, issuances and settlements to be disclosed separately (i.e. gross) within the Level 3 roll-forward. ASU 2010-06 also clarifies (a) the levels of disaggregation in presenting fair value disclosures for each class of assets and liabilities and (b) the disclosure about valuation techniques and inputs that are required for fair value measurements that fall within either Level 2 or 3.

ASU 2011-04, which is effective for fiscal years ending after December 15, 2011, requires additional disclosures with a particular focus on Level 3 measurements. ASU 2011-04 stipulates that quantitative information about significant unobservable inputs used in the Level 3 fair value measurement and a description of the Level 3 valuation processes be disclosed. Additionally, for nonfinancial assets, a nonpublic entity must disclose why the asset is being used in a manner different from its highest and best use. **The Facilities** did not have any Level 3 investments or assets being utilized in a manner differently from its highest and best use as of June 30, 2013.

SUSLA FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 10 - FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES,
CONTINUED:

The following table summarizes the valuation of **the Facilities** investments measured at fair value by the above ASC Topic 820 fair value hierarchy levels as of June 30, 2013:

<u>Investments</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Value</u>
Government notes	\$.	\$ 948,519	\$.	\$ 948,519
Government money market funds	_____.	<u>1,008,591</u>	_____.	<u>1,008,591</u>
	<u>\$_____.</u>	<u>\$1,957,110</u>	<u>\$_____.</u>	<u>\$1,957,110</u>

ASC Topic 820 requires **the Facilities** to disclose fair value information for all financial instruments, whether or not recognized in the Statement of Financial Position, for which it is practicable to estimate fair value. **The Facilities'** financial instruments, other than bonds payable, are generally short-term in nature and contain minimal credit risk. These instruments consist of cash and cash equivalents, accounts receivable, accounts and interest payable, security deposits, prepaid rent, and due to affiliates. The carrying value of these assets and liabilities in the Statement of Financial Position are assumed to approximate fair value.

The estimated fair value of debt is determined based on rates currently available to **the Facilities** for debt with similar terms and remaining maturities. The carrying amount and estimated fair value of **the Facilities'** debt at June 30, 2013 is summarized as follows:

	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>
Bonds payable	<u>\$ 12,815,000</u>	<u>\$ 12,793,138</u>

The Facilities does not have a nonfinancial asset that is being utilized in a manner that differs from its highest and best use.

SUSLA FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 11 - DUE TO AFFILIATE / RELATED PARTY TRANSACTION

The Facilities entered into an affiliation agreement with SUSLA to construct, develop, and manage residential housing on the campus of SUSLA. **The Facilities** operates and manages the housing facilities constructed with the bond proceeds and leases the rooms to the students of SUSLA. SUSLA collects room and boards, on behalf of **the Facilities**, and remits all amounts collected to the Bond Trustee. SUSLA has also agreed to pay the phone charges and the water charges on behalf of **the Facilities**. SUSLA charges **the Facilities** for its portion of utilities and internet charges of the residential housing. The total amount due to SUSLA from **the Facilities** totaled \$78,268 as of June 30, 2013.

During the year ended June 30, 2013, **the Facilities** did not transfer any surplus funds to SUSLA with respect to any excess funds generated from the properties. The evaluation of surplus funds is made on an annual basis by the Trustee.

NOTE 12 - FAIR VALUE OPTION

ASC Topic 825 provides **the Facilities** with an option to report selected financial assets and liabilities at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between organizations that choose different measurement attributes for similar types of assets and liabilities. Currently, **the Facilities** has not adopted the guidelines of ASC Topic 825 and continues to evaluate whether or not it will in future periods based on industry participant elections and financial reporting consistency with other educational institutions.

SUSLA FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 13 - GROUND LEASE

The underlying property on which the housing project is located is leased to **the Facilities** by a Ground and Facilities Lease Agreement dated March 1, 2007 between **the Facilities** and the Board of Supervisors of Southern University and Agricultural and Mechanical College. The agreement calls for annual rents of \$1.00 as well as the constructing of the residence hall as outlined in the agreement by **the Facilities**. **The Facilities** shall be responsible for all costs of the construction, as well as the annual repair and maintenance for the term of the lease. The lease shall terminate when the bonds and all associated debts are repaid, or as a result of actions by the board as outlined in the lease agreement.

NOTE 14 - COMMITMENTS AND CONTENGENCIES

Managing Agent Agreement

The Facilities entered into a contractual arrangement with a third party management company to manage and maintain the apartments, pay operating costs and maintain accounting records. The manager is reimbursed for all operating costs monthly from the Trustee. The amount paid to the manager for the year ended June 30, 2013 totaled \$64,164.

NOTE 15 - DEFICIT IN NET ASSETS

The Facilities has an ending deficit net asset balance which totals \$2,063,678 at June 30, 2013. Included in the net asset balance is accumulated depreciation of fixed assets and amortization of deferred charges totaling a combined \$2,100,575.

Additionally, **the Facilities** has established operations and maintenance cash reserves of approximately \$1,957,110.

It is in the opinion of management that **the Facilities** has sufficient operating revenues that will enable it to continue to exist.

SUPPLEMENTARY INFORMATION

SUSLA FACILITIES INC.
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2013

ASSETS

Current Assets

Cash and cash equivalents	\$ 23,078
Accounts receivable	7,684
Investments, current portion	620,210
Prepaid expenses	<u>23,142</u>
Total current assets	<u>674,114</u>

Non-current Assets

Restricted assets:	
Investments	1,336,900
Capital assets, net	9,181,372
Other non-current assets	<u>188,265</u>
Total non-current assets	<u>10,706,537</u>

Total assets	<u>\$ 11,380,651</u>
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LIABILITIES

Current Liabilities

Bonds payable, current	\$ 110,000
Interest payable	368,756
Other current liabilities	<u>313,725</u>
Total current liabilities	<u>792,481</u>

Noncurrent Liabilities

Bonds payable, net	<u>12,651,848</u>
Total noncurrent liabilities	<u>12,651,848</u>

Total liabilities	<u>13,444,329</u>
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NET ASSETS

Unrestricted	<u>(2,063,678)</u>
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Total net assets	<u>(2,063,678)</u>
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Total liabilities and net assets	<u>\$ 11,380,651</u>
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SUSLA FACILITIES, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2013

OPERATING REVENUES

Other operating revenues	\$ 1,461,362
Total operating revenues	<u>1,461,362</u>

OPERATING EXPENSES

Depreciation	406,910
Other operating expenses	<u>566,914</u>
Total operating expenses	<u>973,824</u>
Operating income	<u>487,538</u>

NONOPERATING REVENUES AND (EXPENSES)

Net investment income	805
Interest expense	(739,597)
Cash distribution to affiliate	<u>-</u>
Net nonoperating revenues (expenses)	<u>(738,792)</u>
Decrease in net assets	(251,254)
Net assets at beginning of year	<u>(1,812,424)</u>
Net assets at end of year	<u><u>\$ (2,063,678)</u></u>

SUSLA FACILITIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

Cash flows from operating activities:	
Other receipts	\$ 1,450,002
Other payments	<u>477,147</u>
Net cash provided by operating activities	<u>972,855</u>
Cash flows from investing activities:	
Purchase of investments	(3,265,415)
Proceeds from sale of investments	3,078,233
Investment income received on investments	<u>805</u>
Net cash used in investing activities	<u>(186,377)</u>
Cash flows from capital financing activities:	
Interest paid on capital debt	741,113
Increase in fixed assets	17,376
Mortgage principal payments	<u>80,000</u>
Net cash used in capital financing activities	<u>(838,489)</u>
Net decrease in cash and cash equivalents	<u>(52,011)</u>
Cash and cash equivalents	
Beginning of year	<u>75,089</u>
End of year	<u>\$ 23,078</u>

Reconciliation of changes in net assets, adjusted to net cash provided by operating activities:

Change in net assets, adjusted	\$ 485,454
Depreciation and amortization	414,594
Provision for bad debts	22,006
Amortization of bond premium/discount	2,084
Decrease in prepaid expense	697
Increase in accounts receivable	(20,081)
Increase in security deposits	757
Increase in prepaid rent	7,267
Increase in accounts payable	<u>60,077</u>
Net cash provided by operating activities	<u>\$ 972,855</u>

OTHER SUPPLEMENTARY INFORMATION

SUSLA FACILITIES, INC.
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

ORGANIZATION

The SUSLA, Facilities Inc. is a legally separate, tax-exempt organization supporting the Southern University System, specifically the Shreveport campus. This foundation was included in the university's financial statements because its assets equaled 3% or more of the assets of the university system it supports.

Complete financial statements for SUSLA Facilities, Inc. can be obtained from the President's Office at 3050 Martin Luther King Drive, Shreveport, LA 71107.

The SUSLA Facilities, Inc. is a nonprofit organization that reports under FASB standards, *which is codified in FASB ASC Topic 958*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the Foundation's financial information in the University's financial report for these differences.

SUSLA FACILITIES, INC.
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF CAPITAL ASSETS

	Balance 6/30/2012	Prior Period Adjustment	Restated Balance 6/30/2012	Additions	*Transfers	**Retirements	Balance 6/30/2013
Capital assets not being depreciated							
Land	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -
Non-depreciable land improvements	-	-	-	-	-	-	-
Capitalized collections	-	-	-	-	-	-	-
Livestock	-	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-	-
Total capital assets not being depreciated	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -
Depreciable land improvements							
** Less accumulated depreciation	-	-	-	-	-	-	-
Total land improvements	-	-	-	-	-	-	-
Buildings	10,572,034	-	10,572,034	-	-	-	10,572,034
** Less accumulated depreciation	(1,392,157)	-	(1,392,157)	(341,014)	-	-	(1,733,171)
Total buildings	9,179,877	-	9,179,877	(341,014)	-	-	8,838,863
Equipment	650,272	-	650,272	17,377	-	-	667,649
** Less accumulated depreciation	(259,244)	-	(259,244)	(65,896)	-	-	(325,140)
Total equipment	391,028	-	391,028	(48,519)	-	-	342,509
Total other capital assets	\$ 9,570,905	\$ -	\$ 9,570,905	\$ (389,533)	\$ -	\$ -	\$ 9,181,372
Capital Asset Summary:							
Capital assets not being depreciated	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -
Other capital assets, at cost	11,222,306	-	11,222,306	17,377	-	-	11,239,683
Total cost of capital assets	11,222,306	-	11,222,306	17,377	-	-	11,239,683
Less accumulated depreciation	(1,651,401)	-	(1,651,401)	(406,910)	-	-	(2,058,311)
Capital assets, net	\$ 9,570,905	\$ -	\$ 9,570,905	\$ (389,533)	\$ -	\$ -	\$ 9,181,372

SUSLA FACILITIES, INC.
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF BONDS, NOTES PAYABLE, AND OTHER LIABILITIES

	Balance July 1, 2012	Additions	Reductions	Balance at June 30, 2013	Amounts due within one year
Bonds & notes payable:					
Bonds payable	\$ 12,895,000	\$ -	\$ 80,000	\$ 12,815,000	\$ 110,000
Notes payable	-	-	-	-	-
Total bonds, notes and capital leases	12,895,000	-	80,000	12,815,000	110,000
Other liabilities:					
Amounts held in custody for others	17,377	757	-	18,134	18,134
Total other liabilities	17,377	757	-	18,134	18,134
Total long-term liabilities	\$ 12,912,377	\$ 757	\$ 80,000	\$ 12,833,134	\$ 128,134

SUSLA FACILITIES, INC.
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF BONDS PAYABLE:

Issue	Date of Issue	Original Issue	Principal Outstanding 7/1/12	(Redeemed) Issued	Principal Outstanding 6/30/13	Interest Rates	Interest Outstanding 6/30/13
Louisiana PublicFacilities Authority Revenue Bonds-Tax Exempt- SUSLA Facilities, Inc. Project- 2007A	7/25/07	\$ 12,795,000	\$ 12,795,000	\$ -	\$ 12,795,000	5.750%	\$ 367,856
Taxable- SUSLA Facilities, Inc. Project- 2007B	7/25/07	205,000	100,000	(80,000)	20,000	9.000%	900
Unamortized premium	7/25/07	(159,937)	(136,722)	5,159	(131,563)		-
Unamortized discount	7/25/07	95,323	81,486	(3,075)	78,411		-
Total		\$ 12,935,386	\$ 12,839,764	\$ (77,916)	\$ 12,761,848		\$ 368,756

SUSLA FACILITIES, INC.
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF BOND AMORTIZATION:

<u>Fiscal Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 110,000	\$ 734,025	\$ 844,025
2015	145,000	726,368	871,368
2016	180,000	717,025	897,025
2017	215,000	705,668	920,668
2018	245,000	692,444	937,444
2019	260,000	677,925	937,925
2020	275,000	662,544	937,544
2021	290,000	646,300	936,300
2022	310,000	629,050	939,050
2023	325,000	610,794	935,794
2024	345,000	591,531	936,531
2025	365,000	571,119	936,119
2026	385,000	549,556	934,556
2027	410,000	526,700	936,700
2028	430,000	502,550	932,550
2029	455,000	477,106	932,106
2030	480,000	450,225	930,225
2031	510,000	421,763	931,763
2032	540,000	391,575	931,575
2033	570,000	359,663	929,663
2034	605,000	325,881	930,881
2035	635,000	290,231	925,231
2036	675,000	252,568	927,568
2037	715,000	212,604	927,604
2038	755,000	170,344	925,344
2039	795,000	125,781	920,781
2040	<u>1,790,000</u>	<u>51,463</u>	<u>1,841,463</u>
TOTAL	<u>\$ 12,815,000</u>	<u>\$ 13,072,803</u>	<u>\$ 25,887,803</u>